



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2011 Biennium

<b>Bill #</b>	HB0262	<b>Title:</b>	Revise list of low emission wood combustion devices that qualify for tax credit
<b>Primary Sponsor:</b>	Ebinger, Bob	<b>Status:</b>	As Amended in House Committee

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input type="checkbox"/> Needs to be included in HB 2  | <input type="checkbox"/> Technical Concerns              |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>	<u>FY 2012 Difference</u>	<u>FY 2013 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
<b>Revenue:</b>				
General Fund	(\$28,000)	(\$43,000)	(\$43,000)	(\$43,000)
<b>Net Impact-General Fund Balance</b>	<u>(\$28,000)</u>	<u>(\$43,000)</u>	<u>(\$43,000)</u>	<u>(\$43,000)</u>

**Description of fiscal impact:** This bill would expand the definition of low-emission wood or biomass combustion device to include masonry heaters and outdoor wood-fired hydronic heaters. Increased credits would reduce general fund revenue by about \$43,000 per year.

### FISCAL ANALYSIS

#### Assumptions:

1. Section 15-32-201, MCA allows an income tax credit for up to \$500 of the cost of installing an alternative energy system in the taxpayer's principle residence. This bill would expand the eligible investments to include masonry heaters and EPA white-tag certified outdoor wood-fired hydronic heaters, beginning in tax year 2009.
2. According to Warmstone Fireplaces & Designs of Livingston, the primary source and installer of masonry heaters in Montana, statewide installations of masonry heaters averaged 36 per year in 2006 through 2008. This number includes the average number of installations by Warmstone and an estimate of other installations throughout the state. Future installations are projected to continue at this rate.
3. The EPA certification program for outdoor hydronic heaters is new in 2009. Manufacturers of certified heaters were contacted. They generally indicated that they sell heaters into Montana, but that their certified heaters either are not on the market yet or have not been on the market long enough to have a sales history. The price difference between a certified and uncertified model generally is expected to be

more than \$500, so that the proposed credit would reduce, but not eliminate the cost difference. Based on information from the manufacturers, sales of certified outdoor hydronic heaters are expected to be 20 in 2009 and 50 per year in later years.

4. The cost of a masonry heater or an outdoor hydronic heater is more than \$500. Each taxpayer who installs one of these systems will claim the full \$500 credit.
5. Additional credits will be \$28,000 (56 x \$500) for 2009 and \$43,000 (86 x \$500) for 2010 and later years. Credits for each tax year will result in higher refunds or lower payments with returns filed the following spring. Thus, general fund revenue will be reduced by \$28,000 in FY 2010 and by \$43,000 in FY 2011 and later years.
6. This bill will not affect the Department of Revenue's costs of administering the income tax.

	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>	<b><u>FY 2012 Difference</u></b>	<b><u>FY 2013 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b><u>Revenues:</u></b>				
General Fund (01)	(\$28,000)	(\$43,000)	(\$43,000)	(\$43,000)
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
General Fund (01)	(\$28,000)	(\$43,000)	(\$43,000)	(\$43,000)

\_\_\_\_\_  
*Sponsor's Initials*

\_\_\_\_\_  
*Date*

\_\_\_\_\_  
*Budget Director's Initials*

\_\_\_\_\_  
*Date*